IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. 1663

NORMAN KRASNA,

Petitioner,

vs.

ELIZABETH S. DAVIES, Executrix
of the Estate of Valentine Davies,
Deceased,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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STATEMENT OF CASE

The California Court of Appeal decision in this case, 12 Cal. App. 3d 1049, does not in any way conflict with the federal preemption doctrine enunciated in the learned decisions of Compco Corporation v. Day-Brite Lighting, Inc., 376 US 234 (1964), Sears, Roebuck v. Stiffel Company,

376 US 225 (1964) and Lear Incorporated v. Adkins, 395 US 653 (1969).

Admittedly, Petitioner's (hereinafter referred to as "Defendant") request for a writ of certiorari has been filed at the pleading stage of this case to construe Respondent's (hereinafter referred to as "Plaintiff") second cause of action which alleges appropriation and use by defendant of Valentine Davies' (now deceased) screenplay and the ideas embodied and expressed therein in breach of a confidential relationship.

The Court of Appeal for the State of California, Second Appellate District, has twice determined that Plaintiff's second cause of action pleads an equitable cause of action for quasi-contract and unjust enrichment. It was required to do nothing further and accordingly it has directed a trial on the merits.

A cause of action for use and appropriation of literary ideas based on quasi-contract (or duty imposed by law) and unjust enrichment is a recognized equitable remedy in literary property cases in the State of California and in the federal courts. Except for the element of damages it is substantially similar to a cause of action for infringement of common law copyright.

Plaintiff briefly emphasizes what this case is not: It is not a case involving an "abstract" idea; It is not a case alleging a right to protection based on an expressed or implied in fact contract; It is not a case involving published works of art; It is not a case where the State Courts of California

have judicially determined that Plaintiff's literary idea was uncopyrightable or unpatentable.

There is a simple but important distinction between this case and the facts in Compco, Sears and Lear. This is the difference between the laws relating to the protection of literary property ideas and the law relating to inventions. The law protecting mechanical inventions is the federal patent law which is the supreme law of the land. However, in the area of literary property, there exists the federal statutory law of copyrights as expressed in the Copyright Act, 17 U.S.C. Section 1, et seq., and the common law of copyrights or the right of first publication.

To implement the purpose of protecting the advancement of the arts as set forth in Article I, Section 8, Clause 8 of the Constitution, Congress enacted the Copyright Act. Quite significantly, however, it expressly reserved for state determination the remedies available at common law or in equity for the protection of unpulbished literary works. Title 17 U.S.C., Section 2. Plaintiff's complaint which pleads a confidential relationship between the defendant and plaintiff in the submission of Valentine Davies' unpublished literary works, the breach of trust and confidence by the defendant in using and appropriating plaintiff's ideas without his knowledge or consent, and the defendant's unjust enrichment pleads a right to equitable relief which Congress expressly reserved for state determination under Section 2 of the Copyright Act.

SUMMARY OF FACTS AND LITIGATION

On December 6, 1951, Valentine Davies, through his agent, submitted his screenplay "Love Must Go On" in confidence to Jerry Wald of Wald-Krasna Productions for the limited purposes of review. The screenplay had been previously sealed and registered with the Screenwriter's Guild on November 28, 1951 to protect public disclosure. Thereafter, other manuscripts of the same play were submitted to Jerry Wald but they were never returned to Mr. Davies.

The defendant was a stockholder and officer in Wald-Krasna Productions and it was his duty to select and obtain literary property. Jerry Wald was a well known producer and Mr. Krasna a well known writer-producer. At the time of the confidential submission by Valentine Davies, Wald-Krasna Productions was a relatively new production company and therefore required new literary properties from writers.

Subsequent to the confidential submission of Valentine Davies' screenplay, defendant wrote and produced a similar play entitled "Who Is That Lady" which was a smash success on Broadway. In 1959 Valentine Davies filed his original complaint against defendant which was later amended to state a cause of action for breach of a confidential relationship in the use and appropriation of his screenplay.

Since the filing of the complaint in 1959, this case has been in two trial courts and in two California appellate courts. In the first trial court, defendant's motion for non-suit on plaintiff's cause of action for defendant's breach of trust and confidence was granted. Plaintiff appealed and the Court of Appeal in Davies v. Krasna (1966), 245 Cal. App. 2d 535 reversed the judgment of non-suit and directed a trial on the merits.

On remittitur the case then proceeded to another trial court but before trial defendant's motion for judgment on the pleadings was granted. Plaintiff again appealed.

The Court of Appeal, in Davies v. Krasna (1970), 12 Cal. App. 3d 1049, reversed the judgment on the pleadings and held that plaintiff's complaint for breach of a confidential relationship in the submission of literary property ideas pleaded a cause of action for quasi-contract and unjust enrichment. It is this decision and the pleadings of plaintiff's amended complaint which forms the rationale for defendant's petition for Writ of Certiorari.

THE PETITION FOR WRIT OF CERTIORARI SHOULD BE DENIED

A

There Is No Substantial Federal Question Ripe for Decision

The federal question assertedly raised by the defendant is that plaintiff's screenplay submitted in confidence to the defendant was a "mere" idea not copyrighted and not protectible under federal copyright law, the common law of copyright or on equitable grounds (Petition page 2, pages 11-12). Defendant further states that there is a substantial question of copyright law (Petition page 7). Since there is only one federal statutory copyright law, the Copyright Act embodied in Title 17, U.S.C. Section 1, et seq., if a substantial question is presented by defendant it must be under this Act. Contrary to defendant's belief there is no substantial federal question raised under the Copyright Act and this Honorable Court should summarily deny the petition on jurisdictional grounds.

The defendant admits in his Petition that this case is here on the pleadings of the parties to construe the legal validity of plaintiff's equitable cause of action based on quasi-contract and unjust enrichment for breach of a confidential relationship by the defendant. Defendant further admits, for purposes of argument, that the plaintiff may be able to prove to a jury all of the essential allegations of fact necessary for

recovery in California based on the equitable remedy of quasi-contract and unjust enrichment (Petition page 4). Defendant argues, however, that plaintiff should be denied a right to a trial on her equitable action before a judge or jury in the California courts because the federal law embodied in the Copyright Act has preempted the field and denies plaintiff a right to relief in the courts of equity. This clearly is not so.

The Copyright Act, Title 17 U.S.C. Section 2 expressly reserves to the states for state determination all causes of action at common law or in equity when the literary work is unpublished:

> "Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication or use of such unpublished work without his consent, and to obtain damages therefor." (Emphasis added.)

The defendant has not and cannot truthfully contend that plaintiff published the screenplay before it was submitted in confidence or that plaintiff thereafter authorized and consented to defendant's publication of the ideas expressed and embodied in the screenplay. Plaintiff's rights to first publication at common law or in equity have not been destroyed and therefore federal law expressly approves determination of her right to relief in the California courts.

Accordingly, no substantial federal question is presented and the defendant's petition should be denied.

B

The Court of Appeal Decision Does Not Conflict With the Federal Pre-emption Doctrines Enunciated in Lear, Sears and Compco.

Defendant's argument that Lear, Incorporated v. Adkins, supra, Sears, Roebuck v. Stiffel Company, supra, and Compco v. Day-Brite Lighting, Inc., supra, deny state or federal protection to plaintiff's property ideas is premised on erroneous assumptions and conclusions of law. First, it assumes, without any foundation or support whatsoever, that the ideas embodied in Valentine Davies' screenplay are "abstract" and not reduced to novel or concrete form. Since this case is here on the pleadings, novelty or concreteness are the subject of proof at the trial. Secondly, it totally disregards that the screenplay in question was never published by Valentine Davies and that he never authorized publication by the defendant. Third, it completely ignores the importance of the "confidential" submission and unjust enrichment aspect of this case. Fourth, it fails to recognize, intentionally or through oversight, that Title 17, U.S.C. Section 2 expressly authorizes state protection of unpublished works at common law or in equity. The plain fact is

that Congress expressly failed to preempt the field of literary property ideas which are disclosed in confidence.

A cause of action pleading the submission of a literary property idea or trade secret in confidence and breach of that trust and confidence by the appropriation and use of the expressed ideas has been recognized for centuries in the federal courts as stating an equitable cause of action for quasi-contract and unjust enrichment. E. I. DuPont DeNemours v. Masland (1917), 244 U.S. 100, 37 S. Ct. 575; Booth v. Stutz Motor Car Co. of America, 7th Cir. 1932, 56 F. 2d 962; Hoeltke v. C. M. Kemp Mfg. Co., 4th Cir., 1936, 80 F. 2d 912, Cert. denied 298 U.S. 673; Matarese v. Moore-McCormack Lines, 2nd Cir., 1946, 158 F. 2d 631; De Filippis v. Chrysler Corp., 2nd Cir., 1947, 159 F. 2d 478, Cert. denied 331 U.S. 848; International Industries, Inc. v. Warren Petroleum Corp. (D. C. Del. 1951), 99 F. Supp. 907; Mitchell Novelty Co. v. United Mfg. Co., 7th Cir. 1952, 199 F. 2d 462; Sloan v. Mud Products, Inc. (D. C. N. D., Okla., 1953), 114 F. Supp. 916; Belt v. Hamilton Nat. Bank (D. C., Dist. of Col., 1952), 108 F. Supp. 689, affirmed 210 F. 2d 706; Official Airlines Schedule Information Services, Inc. v. Eastern Airlines, Inc., 5th Cir., 1964, 333 F. 2d 672; Thomson Machinery Co. v. La Rose (D. C. La., 1969), 306 F. Supp. 681; J. Irizany Y. Puente v. President & F. of Harvard Col. (D. C. Mass., 1957), 248 F. 2d 799; Public Affairs Associates, Inc. v. Rickover, Dist. of Col., 1960, 284 F. 2d 262; Servo Corporation of America v. General Electric Co., 4th Cir.,

1964, 337 F.2d 716; Water Services Inc. v. Tesco Chemicals, Inc., 5th Cir., 1969, 410 F.2d 163; Wilkin v. Sunbeam Corp., 10th Cir., 1967, 377 F.2d 344; Epstein v. Dennison Manufacturing Co. (D.C. SD N.Y., 1969), 314 F.Supp. 116. An equitable cause of action based on quasi-contract and unjust enrichment for breach of trust and confidence has also been expressly recognized in California. Fink v. Goodson-Todman Enterprises (1970), 9 Cal. App. 3d 996; Weitzenkorn v. Lesser (1953), 40 Cal. 2d 778; Davies v. Krasna (1966), 245 Cal. App. 2d 535; Thompson v. California Brewing Co. (1957), 150 Cal. App. 2d 469.

Mr. Justice Holmes in E. I. DuPont DeNemours v. Masland, supra, distinctly expressed that the legal basis for protecting secret and unpublished ideas disclosed in confidence is the "confidential relationship" itself and the fact that the defendant should not be allowed to fraudulently abuse the trust and unjustly enrich himself at plaintiff's expense. As Justice Holmes eloquently states ". . . the law makes some rudimentary requirements of good faith." The issue here and which will be before the trial court is breach of trust and confidence not whether the literary ideas are patentable or copyrightable under the Copyright Act. See: E. W. Bliss Company v. Struthers - Dunn, Inc. (D.C. Iowa, 1968) 291 F.Supp. 390, 400.

Common law and equitable rights in ones literary ideas have been recognized and preserved since Congress enacted the Copyright

Act pursuant to its constitutional power "to promote the progress of science and useful arts . . . ." Congress expressly declined to preempt the field of unpublished writings. Title 17 U.S.C. Section 2.

The distinction between statutory and common law protection has been said to be "publication." When there has been a general publication the common law rights end and any protection thereafter is exclusively governed by the Copyright Act. Bobbs-Merrill Co. v. Straus (1908), 210 U.S. 339, 28 S.Ct. 722; Caliga v. Inter Ocean Newspaper Co. (1909), 215 U.S. 182, 30 S.Ct. 38; Warner Bros. Pictures v. Columbia Broadcasting System, 9th Cir., 1954, 216 F.2d 945; Lowe's Incorporated v. Columbia Broadcasting System (D.C. Cal. 1955), 131 F.Supp. 165; Hearst Corporation v. Shopping Center Network, Inc. (D.C. N.Y. 1969), 307 F.Supp. 551; White v. Kimmell (D.C. S.C. Cal. 1950), 94 F.Supp. 502, Cert. denied 343 U.S. 957, 72 S.Ct. 1052.

Accordingly, if there has been no authorized publication ones common law rights in his literary ideas continues notwithstanding the failure to register his writings under the Copyright Act. His causes of action for an unauthorized publication and use by another are varied. He may allege a cause of action for infringement of a common law copyright and he may have actions in equity seeking an injunction or restitution for unjust enrichment if there was a confidential relationship. It is clear that this

court's decisions in Sears, Compco and Lear were not intended to limit or restrict the Congressional intent to preserve the plaintiff's common law and equitable rights to damages for use and appropriation of unpublished writings.

Federal decisions subsequent to Sears and Compco have construed this court's decisions as limited to the facts involved. In Servo Corporation of America v. General Electric Company, supra, the 4th Circuit affirmed a cause of action for unjust enrichment where there had been a confidential disclosure of an unpatented secret process and an intentional appropriation and use by the defendant. Although the court denied the relief for patent infringement because the device involved was unpatentable under federal law, the action for unjust enrichment did not conflict with the Sears decision. The reasoning of the 4th Circuit would no doubt be approved by this court since it is analogous to Justice Holmes' directive inthe Masland case: A cause of action for unjust enrichment derives from the confidential relationship and the court's power to grant equitable relief. It is not conditioned on a finding that the idea is patentable or copyrightable. Servo Corporation of America v. General Electric Co. at 337 F. 2d 716, 724-725.

Similarly in Water Services, Inc. v. Tesco Chemicals, Inc., supra, the 5th Circuit confirmed the legal validity of an action for unjust enrichment premised on a breach of confidence in the submission and disclosure of secret devices and ideas. The 5th Circuit distinguished Sears and Compco as not involving

a confidential relationship between the parties nor a disclosure of secret processes or ideas. The Supreme Court would share the 5th Circuit interpretation that Sears and Compco permit freedom to copy a product by independent study when it has been placed on the "open market." Water Services v. Tesco at 410 F. 2d 163, 171. However, when there has been a confidential submission and disclosure the idea or product is not on the open market or in the public domain for anyone to copy.

Significantly, the Supreme Court decision in Sears expressly recognized the critical distinction between state protection of patentable devices as opposed to state protection of trade secrets and literary property ideas which exist at common law and in equity notwithstanding federal protection through registration under the Copyright Act. Justice Black in stating that a grant of a patent is a granting of a statutory monopoly pointed out in footnote 5 that patent rights exist only by virtue of federal statute. However, unlike patents, protection for unpublished works continues to exist by virtue of the common law and rules of equity as expressed in Title 17 U.S.C. Section 2. Justice Black emphasized in footnote 7 to his decision, that the purpose of Congress was to have national uniformity in the area of patent and copyright law by vesting exclusive jurisdiction in the federal courts under 28 U.S.C. Section 1338(a) but that Congress did not intend national uniformity in the area of unpublished writings by virtue of Title 17 U.S.C. Section 2. Sears, Roebuck v. Stiffel Company

at 376 U.S. 225, 230.

Lear v. Adkins is also distinguishable from this case since it did not involve a secret disclosure in confidence. Since the device in Lear was unpatentable and there had been a general publication with a promise of compensation there could be no protection under the patent laws nor by state law.

In conclusion, since plaintiff's screenplay is an unpublished work falling within the express provisions of Title 17 U.S.C. Section 2 which preserves state protection for common law rights and rights in equity, plaintiff's complaint pleading an equitable cause of action for unjust enrichment in breach of a confidential relationship does not conflict with the federal preemption doctrines enunciated in Sears, Compco and Lear. Accordingly, defendant's petition for writ of certiorari is unmerited and should be summarily denied.

C

The Policies of Sears, Compco and Lear are Not Frustrated by Protecting Literary Ideas Based on Confidential Submissions.

Plaintiff's cause of action for quasi-contract and unjust enrichment for breach of a confidential relationship does not frustrate the

federal policies enunciated in Sears, Compco and Lear. It is clearly compatible with the policy of stimulating free circulation of ideas and transferring ideas for enjoyment by the public.

The primary purpose for denying state protection to unpatented inventions in Sears, Compco and Lear was the federal patent law and the need for uniform national standards to promote the policies enunciated in the United States Constitution, Article I, Section 8, Clause 8. Since Congress completely pre-empted the field of mechanical inventions through passage of the federal patent laws and left nothing for state ratification in this area, Congress deemed it best to create limited monopolies and to encourage the advancement of science through public access. However, in the broader area of literary property ideas, Congress expressed the policy that the advancement of art in unpublished writings would best be served by retaining the unlimited monopoly created at common law and in equity. Title 17 U.S.C. Section 2. There is good reason for the Congressional reservation of power in the states.

Normally the artist or author spends months, even years, writing his work of art with the hope of eventually selling his literary ideas to production or movie companies for dissemination to the general public. When he confidentially discloses his ideas to the movie company he reposes trust in their personnel that they will not disclose the ideas to others

without his consent and that they will not use his ideas. The gist of the disclosure is the confidential relationship reposed with secondary considerations that they will like his ideas, purchase his rights therein and reward his creative work. If the movie company likes his work and honors his rights therein by reasonable compensation the ideas automatically will be freed for public appreciation and access. However, without such confidential submission, the public may never have the opportunity of access and the work of art may never vest in the public domain. Certainly the advancement of the arts encourages public access and confidential submissions make this possible.

However, the interest of public access and the interest of the writer must be equitably balanced. The equitable balance has been expressed in the Copyright Act which prohibits copying and appropriation of unpublished writings and grants the writer or author a right to damages and compensation. Title 17 U.S.C. Section 2.

As this court justifiably stated in Mazer v. Stein (1954), 347 U.S. 201, 219, 74 S.Ct. 460, 471, "Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered." Without the protection of the common law and laws of equity, not to mention the separate statutory law of copyright, writers and authors would never disclose their literary ideas. This would mean an unjustified restriction on public access. Accordingly, protecting literary ideas

which have been disclosed in confidence promotes the public's interest and the creative talents of the writer.

CONCLUSION

Based on the foregoing equitable considerations of law it is respectfully requested that this court deny defendant's petition and thereby preserve the balance which the Constitution and Congress envisioned in protecting and disseminating literary ideas.

Respectfully submitted,

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